

# Fame and Fortune



## Economics of Recording Contracts and the Game of Music



# Who Needs a Record Deal?



## ALBUM PLUS TEA MARKET SHARE BY DISTRIBUTION

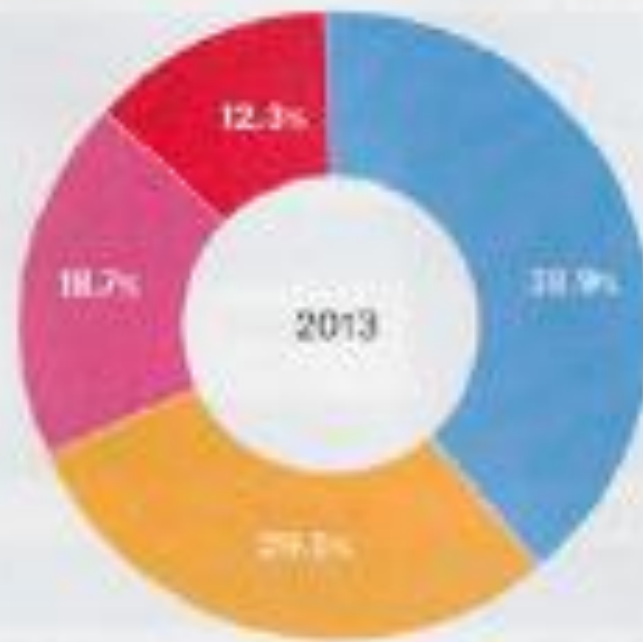
EMI

SONY

UMG

WMG

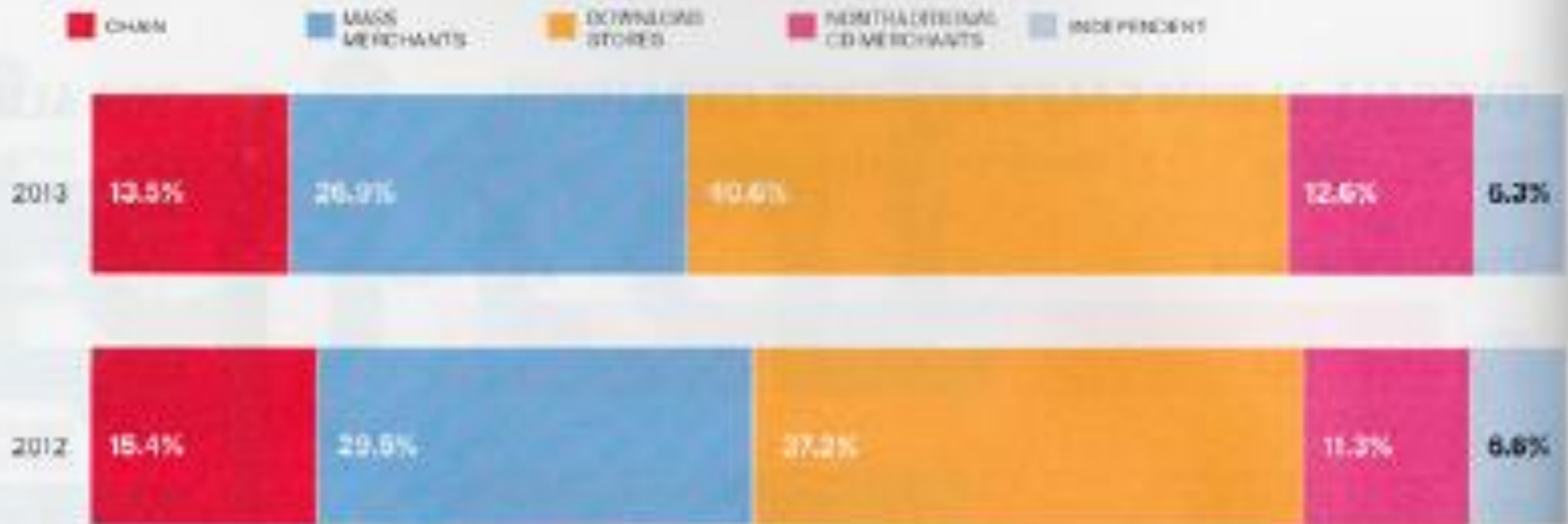
INDIES



# The Distribution Issue



## TOTAL YEAR-TO-DATE ALBUM SALES BY STORE TYPE



# Major Labels pay:



SONY MUSIC

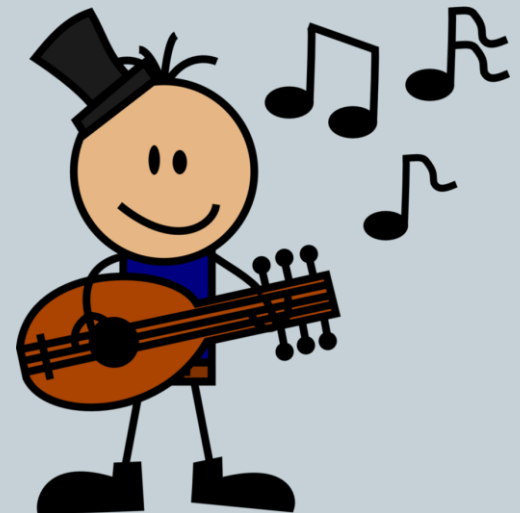


- Manufacturing: replicating, packaging, printing of package inserts and tray cards - ranges from \$.50 for major labels to \$1.20 for small amount/ independent release per CD
- some promotions: design and printing of promo materials, press kits, web sites, advertising, pr, mailing costs - 10-20% of annual gross income
- Distribution, based on SLRP (suggested list retail price)
- Royalties: Record royalty to artists (8-16% of SLRP minus packaging costs), mechanical royalty to composers/ publishers (controlled composition clause!)
- Administration: salaries, buildings, equipment - 10-40% of annual gross income

# Artists pay:



- Recording costs - range from less than \$10,000 (indendent niche) to 1 Million (major artist) inclusive producers, loans from record company
- Possibly a royalty percentage to producer
- Some promotions: Radio promotion, video
- Touring (advances from label)



# Record Companies

## Major vs. Independent

### PRO

- Deep pockets
- Own pressing plants and control distribution
- Can make long-term investments (if desired)

### CON

- Slower decisions
- Smaller artists get lost in the shuffle
- Less artistic control
- Emphasis on sales

### PRO

- easier access/ relationships
- More risk friendly
- More artistic control
- Fast decisions if needed
- Flexible deals
- Can focus on niche markets

### CON

- Lower budgets
- Limited distribution
- Autocratic label owners

# Fame and Fortune



This game simulates the financial and contractual relationships between musical artists, record labels and consumers. Careers in the music industry are not only dependent on talent and superior product, but also on smart decisions on contracting, marketing power, networking, and navigating chance elements. As you enter the inner dealings of the industry as artist, label A&R, or consumer, possibly changing your role on the way, note all the factors that shape and influence financial success. The winner of the game is the label/ artist team with the highest income as well as the consumers who own merchandise by the winning team. Good luck and may the force be with you.



# Game Set-up



1. Distribute Artist/A&R/Consumer cards (pick equal amount of cards as players)
2. Consumers receive a budget of \$500 (2x\$100, 3x\$50, 5x\$20, 5x\$10) – the rest of the money remains in the bank. Consumers also receive two Action cards.
3. A&R representatives draw a major or independent label deal card according to their affiliation.
4. Artists come to the front and decide who you would like to be, if you are a band you can bring band members. Artists will also receive two action cards.



# The Next Big Thing!

Artists introduce yourselves (and your band)

- Who Are You?
- What value can you bring to a label?
- What are your achievements so far?
- What is your vision?
- Musical Samples?

A&R representatives seek out their chosen artists to offer their deal. If artist accepts, sit together in front. If artist does not accept, seek out another deal. Artists who do not end up with a deal go DIY with an initial investment of \$ 5,000 and all proceeds going to the artist. If A&R can't find an artist, they are fired and will become a consumer.



# Start Artist and Label Calculations – add another column if you'll get another team member later

Label



Artist

(initial investment by label or diy artist goes here as recoupable debt, i.e.

- \$ 2,000 (recording costs)
- \$ 1,000 (PR campaign)





# Consumers Phase 1

1. Spend \$200 on recorded products by the artists, you may distribute your budget among the artists as you like.
2. Artist/ A&R pairs or DIY Artists take Action Card and account total income from consumers. Divide up according to contract percentage and record income for artist and label on board.
3. Consumers take Action Card and follow instructions.



## Consumers Phase 2



1. Consumers buy concert tickets to your favorite artists, pay \$100 for major label artists, \$50 for independent artists, and \$ 10 for DIY artists. You may only buy merchandise from artists who you have tickets for during the next round.
2. Artist/ A&R pairs or DIY Artists take Action Card and account total income from consumers. Divide up according to contract percentage and record income for artist and label on board.
3. Consumers take Action Card and follow instructions.



## Consumers Phase 3

1. Consumers buy merchandise after the concerts. Spend the rest of your money on artist's merchandise that you bought tickets for.
2. Artist/ A&R pairs - make final account of your assets according to your contract details on budget board.
3. Consumers – enjoy your merchandise and let's discuss your decision-making process.

# And the Winner is...



Congratulations!!!

What factors led to the win?

How realistic are the contract terms?

What kind of factors really make the difference to fame and fortune?

What worked well with the game?

Improvement ideas?

# What are the Alternatives?

- Direct to fan
- Patronage
- 360 Deals
- Distribution Deals
- Licensing Deals

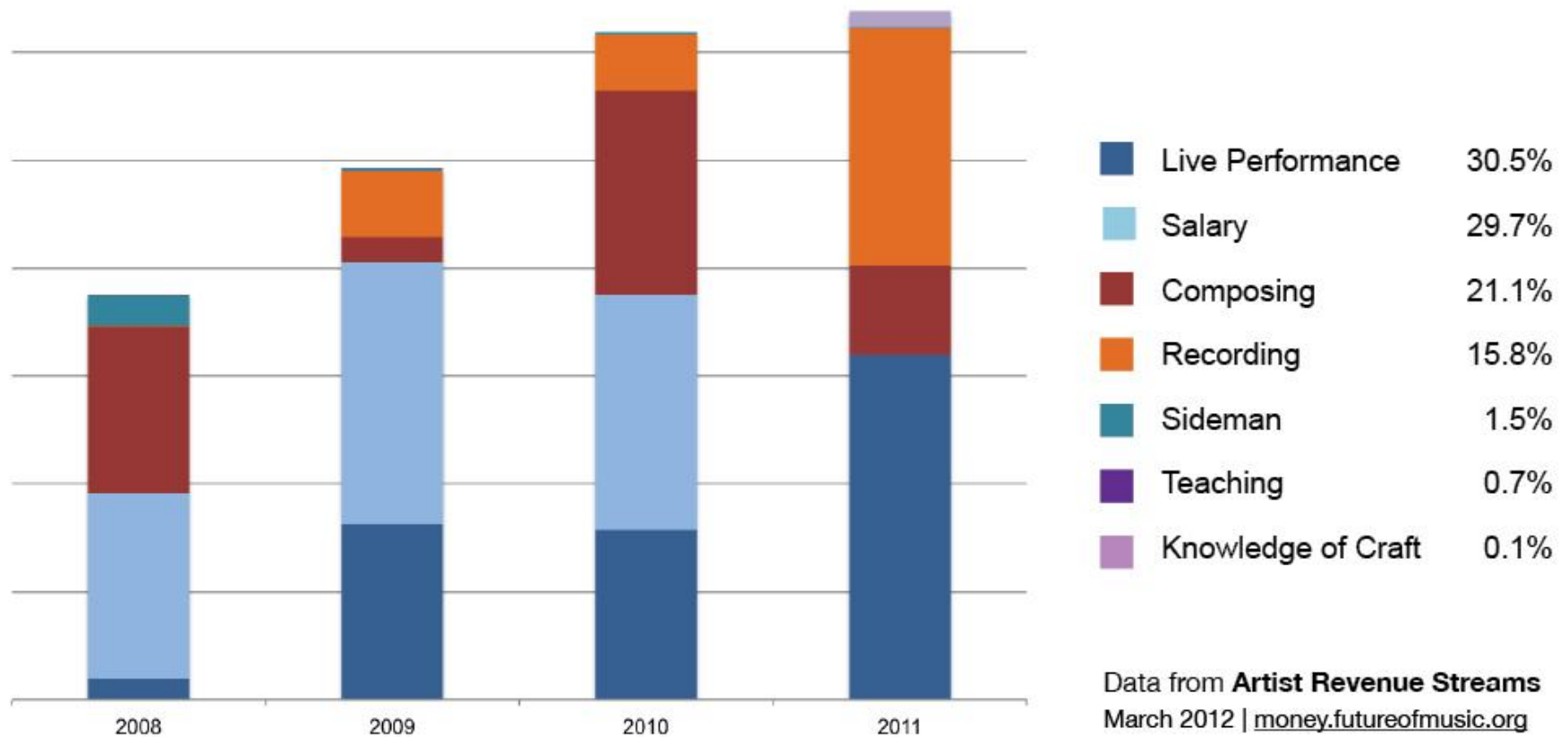




# Where does the Money Come From?



Gross Revenue, 2008-2011



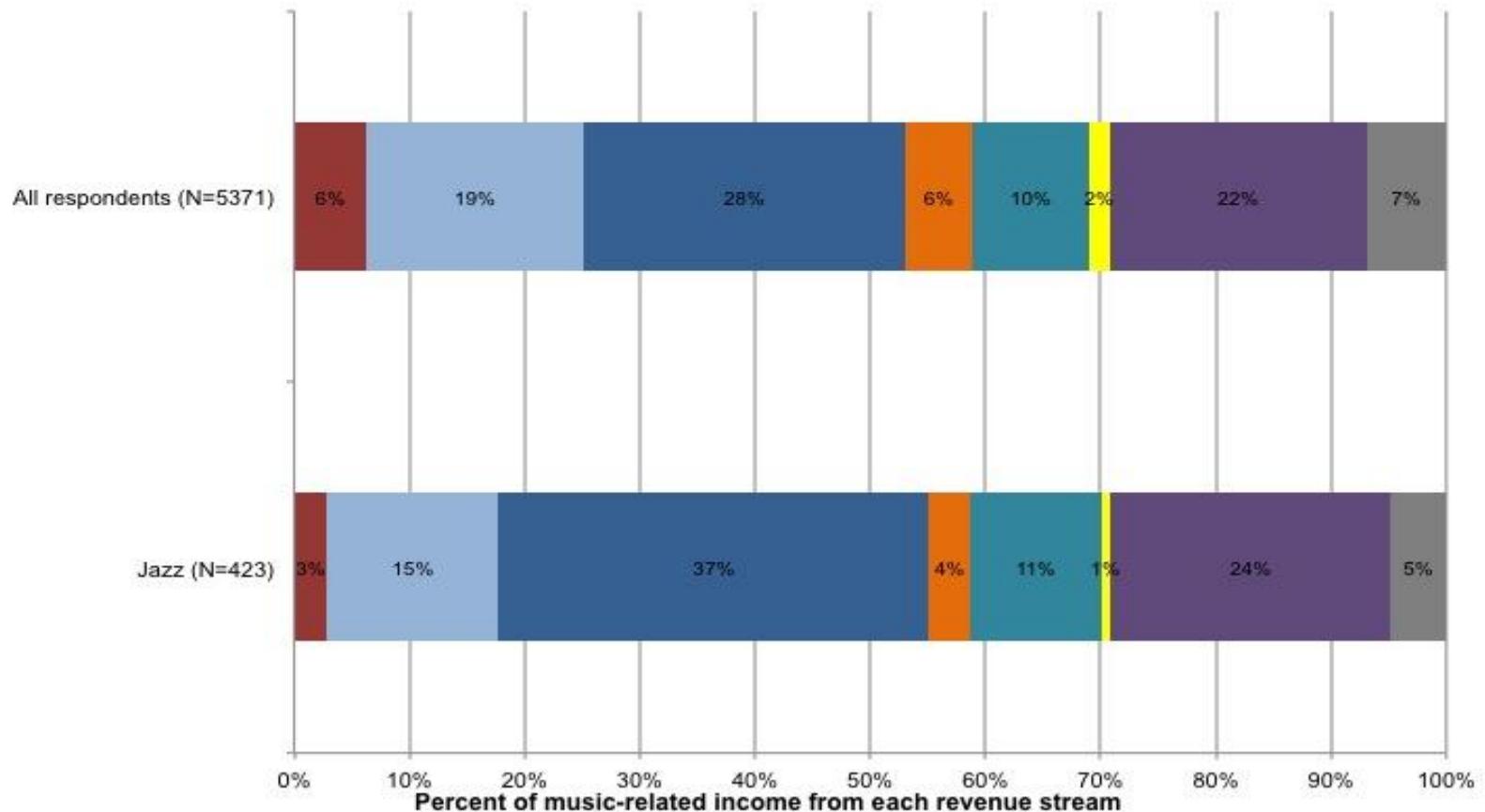
# And what about jazz musicians?



## Income sources in past 12 months, all versus jazz

• Data from Artist Revenue Streams  
• May 2012. [money.futureofmusic.org](http://money.futureofmusic.org)

■ Composing ■ Salaried ■ Live performance ■ Recordings ■ Session work ■ Merchandise/brand ■ Teaching ■ Other

















# What are the tendencies?



## Income Changes in the Last Five Years: Jazz

• Data from Artist Revenue Streams  
• May 2012. [money.futureofmusic.org](http://money.futureofmusic.org)

Income from...	Non-AFM (N=390)	AFM (N=394)
Money from compositions		
Salaried player		
Live performance fees		
Money from sound recordings		
Money from session music work		
Merchandise sales		
Teaching		

# The 21<sup>st</sup> Century Music Career Outlook



- Direct to Fan, Engagement
- Creating Value/ Experience
- Value of Recorded Music continues to diminish
- The Art of Asking
- Knowledge is Key
- The River of Pennies
- The Long Tail vs The Long Tale
- Be Eclectic
- Find a Team

# Questions/ Discussion



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